

McGrath

19 October 2018

Dear Shareholder,

McGrath Limited 2018 Annual General Meeting

On behalf of the Directors of McGrath Limited (**McGrath**), I am pleased to invite you to attend the 2018 Annual General Meeting (**AGM** or **Meeting**) of McGrath. Enclosed is the Notice of Meeting setting out the business of the AGM.

McGrath's 2018 AGM will be held on Friday, 23 November 2018 commencing at 2.00pm (Sydney time) in the office of McGrath located at 191 New South Head Road, Edgecliff, New South Wales.

If you are attending the AGM, please bring your Proxy Form with you to facilitate a faster registration. If you are unable to attend the AGM, I encourage you to complete and return the enclosed Proxy Form no later than 2.00pm (Sydney time) on Wednesday, 21 November 2018 in one of the ways specified in the Notice of Meeting and Proxy Form.

I also encourage you to read the enclosed Notice of Meeting (including the Explanatory Memorandum) and the Proxy Form and consider directing your proxy how to vote in each resolution by marking either the "for" box, the "against" box or the "abstain" box on the Proxy Form.

Subject to the abstentions noted in the Explanatory Memorandum, the Directors of McGrath unanimously recommend that shareholders vote in favour of all resolutions.

Following the conclusion of the AGM, you are welcome to join the Board and Management for light refreshments.

Thank you for your continued support of McGrath. The Directors and I look forward to your attendance and the opportunity to meet with you.

Yours faithfully,



Peter Lewis
Chair
19 October 2018

MCGRATH LIMITED
ABN 61 608 153 779

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2018 Annual General Meeting (**AGM** or **Meeting**) of shareholders of McGrath Limited (**McGrath** or **Company**) will be held:

Date: Friday, 23 November 2018

Time: 2.00pm (Sydney time)

Venue: Office of McGrath, 191 New South Head Road, Edgecliff, New South Wales

The Explanatory Memorandum accompanying this Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Memorandum, Entitlement to Attend and Vote section and Proxy Form are part of this Notice of Meeting.

A. CONSIDERATION OF REPORTS

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report (**Reports**) of the Company for the financial year ended 30 June 2018.

All shareholders can view the Annual Report which contains the Financial Report for the year ended 30 June 2018 on the Company's website (available at <https://www.mcgrath.com.au/about/investorCentre>).

B. QUESTIONS AND COMMENTS

Following consideration of the Reports, the Chair will give shareholders a reasonable opportunity to ask questions about, or comment on the management of the Company.

The Chair will also give shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- a. the conduct of the audit;
- b. the preparation and content of the Independent Auditor's Report;
- c. the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- d. the independence of the Auditor in relation to the conduct of the audit.

The Chair will also give the Auditor a reasonable opportunity to answer written questions submitted by shareholders that are relevant to the content of the Independent Auditor's Report or the conduct of the audit. A list of relevant written questions submitted by shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the Meeting.

C. ITEMS FOR APPROVAL

Resolution 1. Re-election of Director – John McGrath

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

“That John McGrath, who retires in accordance with clause 4.7(b) of the Company’s Constitution and being eligible for election, is elected as a Director of the Company.”

Resolution 2. Election of Director – Peter Lewis

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

“That Peter Lewis, who retires in accordance with clause 4.7(a) of the Company’s Constitution and being eligible for election, is elected as a Director of the Company.”

Resolution 3. Election of Director – Andrew Robinson

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

“That Andrew Robinson, who retires in accordance with clause 4.7(a) of the Company’s Constitution and being eligible for election, is elected as a Director of the Company.”

Resolution 4. Election of Director – Wayne Mo

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

“That Wayne Mo, who retires in accordance with clause 4.7(a) of the Company’s Constitution and being eligible for election, is elected as a Director of the Company.”

Resolution 5. Remuneration Report

To consider and if thought fit, pass the following as an advisory resolution of the Company:

“That the Company’s Remuneration Report for the financial year ended 30 June 2018, as set out in the Directors’ Report, be adopted.”

The Remuneration Report is contained in the 2018 Annual Report (available at <https://www.mcgrath.com.au/about/investorCentre>). Please note that, in accordance with section 250R(3) of the *Corporations Act 2001* (Cth) (**Act**), the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

A vote on Resolution 5 must not be cast (in any capacity) by, or on behalf of, the following persons:

- a. a member of the Key Management Personnel (**KMP**) whose remuneration details are included in the 2018 Remuneration Report; or
- b. a closely related party of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 5 as a proxy if the vote is not cast on behalf of a person described above and either:

- a. the proxy appointment is in writing that specifies the way the proxy is to vote (e.g. for, against, abstain) on the resolution; or
- b. the vote is cast by the chair of the Meeting and the appointment of the chair as proxy:
 - i. does not specify the way the proxy is to vote on the resolution; and
 - ii. expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

In accordance with section 250BD of the Act, a vote must not be cast on Resolution 5 as a proxy by a member of the KMP at the date of the AGM, or a closely related party of those persons, unless it is cast as proxy for a person entitled to vote in accordance with their directions. This restriction on voting undirected proxies does not apply to the Chair of the Meeting where the proxy appointment expressly authorises the Chair of the Meeting to exercise undirected proxies even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

"Key management personnel" and "closely related party" have the same meaning as set out in the *Corporations Act 2001* (Cth).

Resolution 6. Approval of Additional Share Issue Capacity under ASX Listing Rule 7.1A

To consider and, if thought fit, pass the following as a special resolution of the Company:

"That, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, the shareholders of the Company approve the issue of equity securities up to 10% of the issued capital of McGrath Limited (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions described in the Explanatory Memorandum which forms part of the Notice of Meeting."

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 6 by a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely reason of being a holder of ordinary securities in the Company), if this resolution is passed or any associates of those persons. At this point in time, there are no potential allottees to whom shares may be issued under this resolution.

However, the Company need not disregard a vote cast on Resolution 6 if:

- a. it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b. it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7. Renewal of Proportional Takeover Provisions in the Company's Constitution

To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

"That Schedule 6 of the Constitution of the Company, as set out in Annexure A of the Notice of Meeting, be renewed for a period of three years commencing on the day this resolution is passed."

BY ORDER OF THE BOARD



Melissa Jones
Company Secretary
19 October 2018

ENTITLEMENT TO ATTEND AND VOTE

In accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that persons who are registered holders of shares of the Company as at 7.00pm (Sydney time) on Wednesday, 21 November 2018, being two days before date of Meeting will be entitled to attend and vote at the AGM as a shareholder.

If more than one joint holder of shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

Appointment of Proxy

If you are a shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act 2001 (Cth) (the **Act**) to exercise its powers as proxy at the AGM.

A proxy need not be a shareholder of the Company.

A shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the shareholder's votes.

To be effective, the proxy must be received at the Share Registry of the Company no later than 2.00pm (Sydney time) on Wednesday, 21 November 2018 (48 hours before the AGM). Proxies must be received before that time by one of the following methods:

| | |
|------------------------|---|
| By post: | McGrath Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia |
| By facsimile: | (02) 9287 0309 (within Australia) +61 9287 0309 (from outside Australia) |
| By delivery in person: | Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138 |
| Online: | www.linkmarketservices.com.au |

To be valid, a proxy form must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

Power of Attorney

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 2.00pm (Sydney time) on Wednesday, 21 November 2018, being 48 hours before the AGM.

Corporate Representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. The appointment of the representative must comply with the requirements under section 250D of the Act. The representative should bring to the AGM a properly executed letter or other document confirming its authority to act as the company's representative. A "Certificate of Appointment of Corporate Representative" form may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

IMPORTANT: If you appoint the Chair of the Meeting as your proxy, or the Chair becomes your proxy by default, and you do not direct your proxy how to vote on Resolution 5 (Remuneration Report), then by submitting the proxy form you will be expressly authorising the Chair to exercise your proxy on the relevant resolution, even though the resolutions are connected, directly or indirectly, with the remuneration of the KMP.

SHAREHOLDER QUESTIONS

Shareholders who are unable to attend the Meeting or who may prefer to register questions in advance are invited to do so. Please log onto www.linkmarketservices.com.au, select Voting then click 'Ask a Question', or alternatively submit the enclosed AGM Question Form.

To allow time to collate questions and prepare answers, please submit any questions by 2.00pm (Sydney time) on Friday, 16 November 2018 (being no later than the fifth business day before the AGM is held). Questions will be collated and, during the AGM, the Chair will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the AGM to address all topics raised. Please note that individual responses will not be sent to shareholders.

ENCLOSURES

Enclosed are the following documents:

- proxy form to be completed if you would like to be represented at the AGM by proxy. Shareholders are encouraged to use the online voting facility that can be accessed on McGrath's share registry's website at www.linkmarketservices.com.au to ensure the timely and cost effective receipt of your proxy; and
- a reply paid envelope for you to return either or both the proxy form and AGM Question Form.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of the Company (**Shareholders**) in relation to the business to be conducted at the Company's AGM to be held on Friday, 23 November 2018.

The purpose of this Explanatory Memorandum is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote upon the resolutions.

Subject to the abstentions noted below, the Directors unanimously recommend Shareholders vote in favour of all Resolutions. The Chair of the Meeting intends to vote all available undirected proxies in favour of each resolution.

Resolutions 1, 2, 3 and 4 are ordinary resolutions, which require a simple majority of votes cast by Shareholders present and entitled to vote on the resolution.

Resolution 5, relating to the Remuneration Report, is advisory and does not bind the Directors or the Company.

Resolutions 6 and 7 are to be voted on as special resolutions. For a special resolution to be passed, at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution must be in favour of the resolution.

Resolution 1. Re-election of Director – John McGrath

John McGrath is the Founder and Executive Director of McGrath.

John is one of the most influential figures in the Australian property industry and founded McGrath in 1988. John has grown the McGrath business to be one of Australia's most successful integrated real estate service groups.

John was a founding director of the REA Group and served as a Non-Executive Director on its board from 1999 to January 2018 (including as Chair between 2003 – 2007).

The Board does not consider John to be an independent Director as he is the Founder and is an Executive Director of the Company.

The Directors, with John McGrath abstaining, unanimously recommend Shareholders vote in favour of this Resolution.

Resolution 2. Election of Director – Peter Lewis

Peter Lewis was appointed Chair and Non-Executive Director of the McGrath Board in February 2018.

Peter is currently a Non-Executive Director of the Australian Broadcasting Corporation and Chair of their Audit and Risk Committee; and an advisory board member of Anacacia Capital and Gravity Media Group Ltd.

Peter previously worked as Chief Financial Officer for the Seven Group of companies for 15 years.

Peter holds a Master of Commerce (UNSW) and a Fellow of the Institute of Chartered Accountants in Australia.

The Board considers Peter to be an independent Director.

The Directors, with Peter Lewis abstaining, unanimously recommend Shareholders vote in favour of this Resolution.

Resolution 3. Election of Director – Andrew Robinson

Andrew Robinson was appointed as a Non-Executive Director of the McGrath Board in February 2018 and is Chair of the Audit and Risk Committee and Chair of the Remuneration and Nomination Committee.

Andrew established his legal practice in 1982 with specialisations in tax disputes, corporate re-constructions, franchising and commercial negotiation.

Prior to that, Andrew had a background in litigation and commercial law at Freehill Hollingdale and Page.

Andrew has had extensive involvement in the property sector over many years as both an advisor and a principal, and has been a long term supporter of various not for profit and charity groups, including Tour de Cure and The Mater/St Vincent's Hospitals.

Andrew holds a Bachelor of Economics and a Bachelor of Laws (University of Sydney).

The Board considers Andrew to be an independent Director.

The Directors, with Andrew Robinson abstaining, unanimously recommend Shareholders vote in favour of this Resolution.

Resolution 4. Election of Director – Wayne Mo

Wayne Mo was appointed as a Non-Executive Director of the McGrath Board in June 2018 as the nominee of Aqualand Group, one of Australia's premier residential property development and investment groups.

Wayne is Chief Executive Officer of AL Capital, overseeing the growth of its diversified investment portfolio.

Wayne has more than 23 years global experience in international banking, structure finance and M&A. Prior to joining AL Capital, Wayne held senior executive roles with ANZ for 15 years and was Chief Investment Officer of Hong Kong listed Everchina International Holding.

Wayne holds an MBA from Webster University (USA) and Bachelor of Economics from Shanghai University of Finance and Economics, and was a Board Director of Australia China Chamber of Commerce (Beijing) from 2006 to 2008.

The Board does not consider Wayne to be an independent Director as he is the CEO of AL Capital, a substantial Shareholder of the Company.

The Directors, with Wayne Mo abstaining, unanimously recommend Shareholders vote in favour of this Resolution.

Resolution 5. Remuneration Report

Section 250R(2) of the Corporations Act 2001 (Cth) (the **Act**) requires that the section of the Directors' Report dealing with the remuneration of directors and key management personnel (**KMP**) of the Company (**Remuneration Report**) be put to the vote of Shareholders for adoption by way of a non-binding vote.

Broadly, the Remuneration Report details the remuneration policy for the Company and:

- explains the structure of and rationale behind the Company's remuneration practices and the link between the remuneration of executives and the Company's performance;
- sets out remuneration details for each Director and for each executive with authority and responsibility for directing the affairs of the Company; and

- discusses the relationship between the policy and Company performance.

Shareholders can view the full Remuneration Report in the Annual Report which is available on McGrath's website at <https://investor.mcgrath.com.au/Investor-Centre/?page=asx-announcements>.

Following consideration of the Remuneration Report, the Chair of the Meeting will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report. A resolution that the Remuneration Report be adopted will then be put to the vote. The vote on this resolution is advisory only and does not bind the Directors or the Company. However the Board will take the outcome of the vote into account in setting remuneration policy for future years.

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to this Resolution.

Resolution 6. Approval of additional share issue capacity under ASX Listing Rule 7.1A

ASX Listing Rule 7.1A enables certain companies to seek Shareholder approval by special resolution to issue equity securities equivalent to an additional 10% of the number of ordinary securities on issue over a 12 month period (**10% Placement Facility**). This is in addition to the existing 15% placement capacity permitted by ASX Listing Rule 7.1.

A company is eligible to seek shareholder approval for this additional placement capacity if it satisfies both of the following criteria at the date of its annual general meeting:

- it has a market capitalisation of \$300 million or less; and
- it is not included in the S&P/ASX 300 Index.

The Company currently satisfies both the above criteria, and it is anticipated that it will satisfy both these criteria at the date of the AGM.

For illustrative purposes, the Company's market capitalisation was \$58.78 million based on a closing price of \$0.35 on 9 October 2018.

Accordingly, Resolution 6 is seeking approval of ordinary Shareholders by special resolution for the issue of such number of equity securities as calculated under the formula in ASX Listing Rule 7.1A.2, at an issue price as permitted by ASX Listing Rule 7.1A.3 to such persons as the Board may determine, on the terms as described in this Explanatory Memorandum.

At the date of this Notice, the Company has on issue 167,932,533 fully paid ordinary shares. 13,621,838 shares were issued during the year as part of the current 15% capacity under ASX Listing Rule 7.1.

Based on the above, and as an example only, the Company would (as at the date this notice of meeting is finalised) have capacity to issue:

- 23,146,604 (15%x 154,310,695)¹ equity securities under ASX Listing Rule 7.1 (not excluding the 13,621,838 shares issued on 19 June 2018 as part of the Company's 15% capacity); and
- 15,431,069 (10%x 154,310,695) equity securities under ASX Listing Rule 7.1A (subject to approval of Resolution 6).

The actual number of equity securities that the Company will have capacity to issue under ASX Listing Rule 7.1A (and ASX Listing Rule 7.1 as applicable) will be calculated at the date of issue of the equity securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (and ASX Listing Rule 7.1 as applicable).

¹ Being the number of fully paid ordinary securities on issue 12 months before the issue date (if 19 October 2018 was the issue date), plus 11,568,042 shares issued on 1 August 2018 with shareholder approval and subtracting the 519,790 fully paid ordinary securities cancelled during the 12 month period.

That formula is:

$$(A \times D) - E$$

- A is the number of Shares on issue 12 months before the date of issue or agreement:
 - (a) plus the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;
 - (b) plus the number of partly paid Shares that became fully paid in the 12 months;
 - (c) plus the number of fully paid Shares issued in the 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid Shares under the entity's 15% placement capacity without Shareholder approval;
 - (d) less the number of fully paid Shares cancelled in the 12 months.
- Note that 'A' is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.
- D is 10%
- E is the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue, that are not issued with the approval of Shareholders under Listing Rules 7.1 or 7.4.

The effect of Resolution 6 will be to allow the Company to issue equity securities under ASX Listing Rule 7.1A up to 10% of the Company's fully paid ordinary securities on issue during the period up to 12 months after the AGM, in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1.

Information required by ASX Listing Rule 7.3A

For the purposes of ASX Listing Rule 7.3A, the following information is provided:

- **Minimum price at which the equity securities may be issued** – The minimum price at which the equity securities will be issued will be no less than 75% of the volume weighted average market price for ordinary shares calculated over the 15 trading days on which trades are recorded immediately before:
 - a. the date on which the price at which the shares are to be issued is agreed; or
 - b. if the shares are not issued within 5 trading days of the date in paragraph a., the date on which the shares are issued.
- **Risk of economic and voting dilution** – If Resolution 6 is approved by Shareholders and the Company issues equity securities under the 10% Placement Facility, the existing ordinary Shareholders face the risk of economic and voting dilution as a result of the issue of equity securities which are the subject of this Resolution, to the extent that such equity securities are issued, including:
 - a. the market price of equity securities may be significantly lower on the issue date than on the date on which this approval is being sought; and
 - b. the equity securities may be issued at a price that is at a discount to the market price for those equity securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the equity securities.

- The following table gives examples of the potential dilution of existing ordinary Shareholders on the basis of the market price of shares and the number of ordinary securities for variable “A”, calculated in accordance with the formula in ASX Listing Rule 7.1A.2. The table demonstrates various examples as to the number of equity securities that may be issued under the additional 10% Placement Facility.

The table also shows:

- two examples where variable “A” has increased by 50% and 100%. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders’ meeting; and
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

| No. of Shares on Issue ² | Dilution | | | |
|-------------------------------------|-------------------------|--|-----------------------|--|
| | Issue price (per Share) | \$0.175 50% decrease in Issue Price | \$0.35 Issue Price | \$0.70 100% increase in Issue Price |
| 167,932,533 (Current) | Shares issued | 16,793,253 | 16,793,253 | 16,793,253 |
| | Funds raised | \$2,938,819.33 | \$5,877,638.66 | \$11,755,277.31 |
| 251,898,800 (50% increase) | Shares issued | 25,189,880 | 25,189,880 | 25,189,880 |
| | Funds raised | \$4,408,228.99 | \$8,816,457.98 | \$17,632,915.97 |
| 335,865,066 (100% increase) | Shares issued | 33,586,507 | 33,586,507 | 33,586,507 |
| | Funds raised | \$5,877,638.66 | \$11,755,277.31 | \$23,510,554.62 |

- The table has been prepared on the following assumptions:
 - the Company issues the maximum number of equity securities available under the 10% Placement Facility in ASX Listing Rule 7.1A;
 - the 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%;
 - the table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder’s holding at the date of the AGM;
 - the table shows only the effect of issues of equity securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1;

² Variable “A” in Listing Rule 7.1A.2.

- e. the issue of equity securities under the 10% Placement Facility consists only of shares; and
 - f. the issue price is \$0.35 per share³, being the closing price of the shares on ASX on 9 October 2018.
- **Date by which the Company may issue the securities** – If any of the shares being approved by this Resolution are issued, they will be issued during the placement period, that is, within 12 months of the date of the AGM (i.e. by 23 November 2019) and the approval being sought under Resolution 6 will cease to be valid if ordinary Shareholders approve a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking) prior to 23 November 2019.
 - **Purpose for which the equity securities may be issued** – The Company may seek to issue the equity securities for the following purposes:
 - a. cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition), continued development of the Company's current assets and/or general working capital; or
 - b. non-cash consideration for the acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.
 - The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon issue of any equity securities under Listing Rule 7.1A.
 - **Details of the Company's allocation policy for issues under approval** – The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of allottees of any equity securities that may be issued (subject to Shareholder approval of Resolution 6) have not been determined as at the date of this Notice, but may include existing Shareholders and/or parties who are not currently Shareholders and are not related parties or associates of the Company. Any potential allottees will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:
 - a. the methods of raising funds available to the Company (including but not limited to, rights issue or other issues in which existing security holders can participate), while balancing interest from potential allottees with the interests of existing Shareholders;
 - b. the effect of the issue of equity securities on the control of the Company and balancing the interests of existing Shareholders. Allocation will be subject to takeover thresholds;
 - c. the financial situation and solvency of the Company and its need for working capital at any given time; and
 - d. advice from corporate, financial and broking advisors (if applicable).
 - The Company previously obtained Shareholder approval under Listing Rule 7.1A on 23 November 2016. However, the Company did not obtain Listing Rule 7.1A approval at its 2017 Annual General Meeting.
 - A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting. Potential allottees under the 10% Placement Facility (should it be approved) have not been identified as at the date of this Notice, but may include existing Shareholders and/or parties who are not currently Shareholders and are not related parties or associates of the Company.

Resolution 6 is a special resolution. For a special resolution to be passed, at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution must be in favour of the resolution.

The Directors unanimously recommend Shareholders vote in favour of this Resolution.

³ Closing price on 9 October 2018 was \$0.35 per share.

Resolution 7. Renewal of Proportional Takeover Provisions in the Company's Constitution

Schedule 6 of the Constitution of the Company provides that the Company can prohibit the registration of a transfer of shares resulting from a proportional (or partial) takeover unless shareholders in general meeting approve the offer.

Under the Corporations Act and paragraph 7 of Schedule 6 of the Constitution, Schedule 6 will cease to have effect on the third anniversary of their adoption.

The proposed resolution seeks to renew the provision of Schedule 6 of the Constitution for three years from the date of approval of the proposed resolution.

The Directors consider that it is in the interests of shareholders for the Company to include a proportional takeover rule and approval is therefore being sought to renew Schedule 6 of the constitution.

What is a proportional takeover bid?

In a proportional takeover bid, the bidder offers to buy a proportion only of each shareholder's shares in the target company.

Why are the proportional takeover approval provisions required?

A proportional takeover bid means that control of a company may pass without shareholders having the chance to sell all of their shares to the bidder.

In addition, this means the bidder may take control of a company without paying an adequate amount for gaining control.

In order to deal with this possibility, the Corporations Act permits a company, in certain circumstances to provide in its constitution that if a proportional takeover bid is made for shares in the company, shareholders must vote at a general meeting on whether to accept or reject the offer.

The majority decision of shareholders present and voting at the meeting will be binding on all shareholders.

The benefit of the provision is that shareholders are able to decide collectively whether the proportional offer is acceptable in principle and it may ensure that any partial offer is appropriately priced.

If the offer does proceed, individual shareholders can then make a separate decision as to whether they wish to accept the bid for their shares.

What is the effect of the proportional takeover approval provisions?

If a proportional takeover bid is made, the Directors must ensure that shareholder vote on a resolution to approve the bid at least 14 days before the last day of the bid period. The vote is decided on a simple majority.

Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities, is entitled to vote, but the bidder and its associates are not allowed to vote (and if they do vote, their votes must not be counted).

If the resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn. Any contracts formed by acceptances will be rescinded. If the bid is approved (or taken to have been approved), the transfers must be registered provided they comply with the Corporations Act and the Company's Constitution.

If the resolution is not voted on before the 14 day deadline specified in the Corporations Act, the bid will be taken to have been approved.

The proportional takeover approval provisions do not apply to full takeover bids and only apply for 3 years from that date of their renewal pursuant to Resolution 7. The provisions may again be renewed by a special resolution of shareholders.

No present acquisition proposals

At the date this Notice of Meeting was prepared, no Director is aware of a proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages

While the renewal of Schedule 6 will allow the Board to ascertain shareholders' views on a proportional takeover bid, the Directors consider that the proportional takeover approval provisions have no potential advantages or disadvantages for them. They remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover approval provisions for shareholders include:

- the provisions give all shareholders (other than the offeror and its associates) an opportunity to study the terms of a proportional takeover proposal to determine whether it is in their best interests that it proceed and, on that basis, enables shareholders to decide whether or not to accept the offer;
- the provisions may discourage the making of a proportional takeover bid which may be considered to be opportunistic and may prevent control of the Company passing without the payment of an appropriate control premium;
- the provisions may assist shareholders in not being locked in to a minority interest in the Company;
- the provisions may increase shareholders' bargaining power and may assist in ensuring that any future proportional takeover offer is structured so as to be attractive to a majority of independent shareholders; and
- knowing the view of the majority of shareholders may assist each individual shareholder in assessing the likely outcome of the proportional takeover scheme bid and whether to approve or reject that bid.

The potential disadvantages for shareholders include:

- proportional takeover bids for shares in the Company may be discouraged and may reduce any speculative element in the market price of the Company's shares arising from a takeover offer being made;
- shareholders may lose an opportunity of selling some of their shares at a premium;
- the change of a proportional takeover bid being successful may be reduced due to the delay, cost and uncertainty in convening a General Meeting; and
- the renewal of Schedule 6 may also be considered an additional restriction on the ability of shareholders to deal freely with their shares.

The Board considers that the potential advantages for shareholders of the proportional takeover approval provisions outweigh the potential disadvantages. In particular, shareholders as a whole are able to decide whether or not a proportional takeover bid is successful.

The Board recommends that the shareholders support renewal of the proportional takeover approval provisions, by voting in favour of Resolution 7.

The Chair intends to vote undirected proxies in favour of this Resolution.

A copy of the Constitution of the Company is available from McGrath's website <https://investor.mcgrath.com.au/Investor-Centre/>.

ANNEXURE A

SCHEDULE 6 PROPORTIONAL TAKEOVER BIDS

1. Resolution required for transfer under proportional takeover bid

Subject to paragraph 7 but despite any other provision of this constitution, a transfer of shares or other securities in the company giving effect to a contract resulting from acceptance of an offer made under a proportional takeover bid must not be registered unless and until a resolution approving the bid is passed or taken to be passed in accordance with paragraph 6.

2. Board's obligations where offers made under proportional takeover bid

If offers are made under a proportional takeover bid for any class of shares or other securities in the company, the board must:

- (a) either convene a meeting of the persons entitled to vote on the approving resolution in accordance with paragraph 4 or conduct a postal ballot of all persons entitled to vote on the approving resolution in accordance with paragraph 5; and
- (b) ensure that the approving resolution is voted on at that meeting or by means of that ballot before the day that is 14 days before the last day of the bid period.

3. Persons entitled to vote

The only persons entitled to vote on the approving resolution are those persons (other than the bidder or any associate of the bidder) who, as at the end of the day on which the first offer under the proportional takeover bid was made, held shares or other securities of the company in the bid class. Each person who is entitled to vote is entitled to one vote for each share or other security in the bid class held by that person at that time.

4. Procedure for meeting

If the board determines under paragraph 2(a) to convene a meeting of persons entitled to vote on the approving resolution, then, subject to paragraph 3, that meeting must be convened and conducted, as if it were a general meeting of the company convened and conducted in accordance with this constitution and the Corporations Act with such modifications as the board determines are required in the circumstances.

5. Procedure for ballot

If the board determines under paragraph 2(a) to conduct a postal ballot of persons entitled to vote on the approving resolution, then:

- (a) notice of the postal ballot and a personalised ballot paper specifying the name of the person entitled to vote must be sent to all persons entitled to vote on the resolution not less than 14 days before the date specified in the notice for closing of the postal ballot, or such lesser period as the board determines;
- (b) the notice must contain the text of the approving resolution and specify the date for closing of the ballot, may specify circumstances in which and the process by which a postal ballot may be revoked and may contain such other information as the directors think fit;
- (c) a postal ballot is only valid if the ballot paper is duly completed and:
 - (i) if the person entitled to vote is an individual, signed by the individual or a duly authorised attorney; or

- (ii) if the person entitled to vote is a corporation, executed under seal or as permitted by the Corporations Act or by a duly authorised officer or duly authorised attorney;
- (d) a postal ballot is only valid if the ballot paper and the power of attorney or other authority, if any, under which the ballot paper is signed or a certified copy of that power or authority is or are received by the company before close of business on the date specified in the notice of postal ballot for closing of the postal ballot at the company's registered office or at such other place as is specified for that purpose in the notice of postal ballot;
- (e) the non-receipt of a notice of postal ballot or ballot paper by, or the accidental omission to give a notice of postal ballot or ballot paper to, a person entitled to receive them does not invalidate the postal ballot or any resolution passed under the postal ballot.

6. When approving resolution passed or rejected

If an approving resolution is voted on in accordance with this Schedule 6 then it is to be taken to have been passed if more than 50% of the votes cast on it are in favour of it and otherwise is taken to have been rejected. If an approving resolution has not been voted on in accordance with this Schedule 6 by the end of the day that is 15 days before the last day of the bid period, then an approving resolution is taken to have been passed.

7. When proportional takeover rules cease to have effect

This Schedule 6 ceases to have effect:

- (a) if the rules contained in this Schedule 6 have not been renewed in accordance with the Corporations Act, on the day which is 3 years after the date on which those rules were adopted by the company; and
- (b) if those rules have been renewed in accordance with the Corporations Act, on the day which is 3 years after the date on which those rules were last renewed.

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

McGrath Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138



ALL ENQUIRIES TO

Telephone: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of McGrath Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **2:00pm (Sydney time) on Friday, 23 November 2018 at the Offices of McGrath, 191 New South Head Road, Edgecliff, NSW (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolution 5: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 5, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒.

Resolutions

| | For | Against | Abstain* | | For | Against | Abstain* |
|--|--------------------------|--------------------------|--------------------------|---|--------------------------|--------------------------|--------------------------|
| 1 Re-election of Director – John McGrath | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 5 Remuneration Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 Election of Director – Peter Lewis | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 6 Approval of Additional Share Issue Capacity under ASX Listing Rule 7.1A | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 Election of Director – Andrew Robinson | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 7 Renewal of Proportional Takeover Provisions in the Company's Constitution | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 Election of Director – Wayne Mo | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | |



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry together with an original or certified copy of any authority under which the power of attorney was signed or executed. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm (Sydney time) on Wednesday, 21 November 2018**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

McGrath Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**